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PUBLIC SECTOR PRODUCTIVITY AND COMPETITIVENESS

Stakeholder Involvement for Public Sector Productivity Enhancement: Strategic Considerations

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Abstract

Measuring public sector productivity has never been an easy task and despite continuous efforts, no simple or single solution has been found. This seems to be mainly due to the intangible nature of public services and the complexity of public service outputs. Yet, in view of the contribution it makes to the economic performance of a country, every public organisation faces the challenge of improving its productivity. In this short paper, we evaluate the various definitions of productivity in view of their implications for public sector productivity measurement and then derive a comprehensive framework that integrates the various understandings and stakeholders. We further discuss the strategic implications for practice of the proposed framework. Our approach is theoretical, although we draw upon both theoretical and empirical research studies. The present effort contributes to the existing debate on the topic of public sector productivity enhancement and should be of interest to both researchers and practitioners alike.

Keywords: Productivity, performance measurement, public sector organisations, strategy.

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Introduction

The topic of productivity of the public sector is a contemporary concern of every country. In view of the contribution it makes to the economic performance of a country, every public organisation faces the challenge of improving its productivity on a continuous basis. Nevertheless, in order to foster improvement and design policy, it is necessary to understand what underlies and drives productivity growth and performance in the public sector in the first place. A review of existing literature on the topic highlights that there is no simple or single solution neither to defining nor to measuring public sector productivity; therefore, there is no unique mechanism to increase public sector productivity. Views on public sector productivity are not only diverse, but also often simplified, misinterpreted, contradictory, and misapplied (Holzer & Seok-Hwan, 2004).

Thornhill (2006) identified three main reasons why public sector productivity is important: (1) the public sector is a major employer in the economy; (2) the public sector is a major provider of services in the economy, offering mainly social services and business services (affecting, thus, labour quality and costs of inputs, respectively); and (3) the public sector is a consumer of tax resources. All of this means that any changes in public sector productivity has the potential to significantly impact the economy of the country. Apart from these reasons, there are potentially other ones, which are more context-based, such as for example, the fact that in developed countries, there is a downward trend in labour supply, which makes the acceleration of productivity growth even more important (Waller, 2006).

Public Sector Productivity: Definition, Measurement, and Key Issues

Generally, common wisdom has it that productivity is a measure of the amount of output generated per unit of input utilised. Nevertheless, Pritchard (1995) distinguished between three main views regarding productivity:

- (1) Productivity seen as a measure of efficiency, calculated as a ratio between output and input; this is the basic view, also called the techno-economic approach, which ignores output quality, but clearly distinguishes between the concepts of productivity, efficiency, and effectiveness.

An important mention to be made here is that:

In many countries, public sector productivity has been assumed to be zero in the national accounts. The output of the government sector has been measured as equal in value to the total value of inputs. This output = input convention has increasingly come under scrutiny in recent years. The challenge is to devise alternative estimates based on output measurement in a public sector context – where collective services are provided and where there is, in most instances, no market transaction in services provided to individuals (Boyle, 2006). (Linna, Pekkola, Ukko, & Melkas, 2010, p. 301)

- (2) Productivity as a combination of efficiency and effectiveness; in other words, attention is paid to the relationship between productivity (outputs/inputs) and quality (outputs quality/goals). Efficiency is generally seen from the perspective of quantitative changes, while effectiveness is seen from the perspective of qualitative changes, paying more attention to the value creation for the customer (Tangen, 2005).
- (3) Productivity as a broader concept that makes an organisation function better; this definition, although the broadest, confuses productivity with drivers of productivity.

In addition to the above, there are works that have proposed that productivity should actually be replaced with or complemented by concepts that are indicative of clearer and stronger paths toward improvement: for example, Jackson (1999) and Stainer and Stainer (2000) proposed the use of the term “performance” and Brax (2007, cited by Linna *et al.*, 2010) the term “effectiveness”. There is an important mention that should be made with regard to the relation between the productivity of public sector services and the effectiveness of public expenditure. In the words of Simpson (2009):

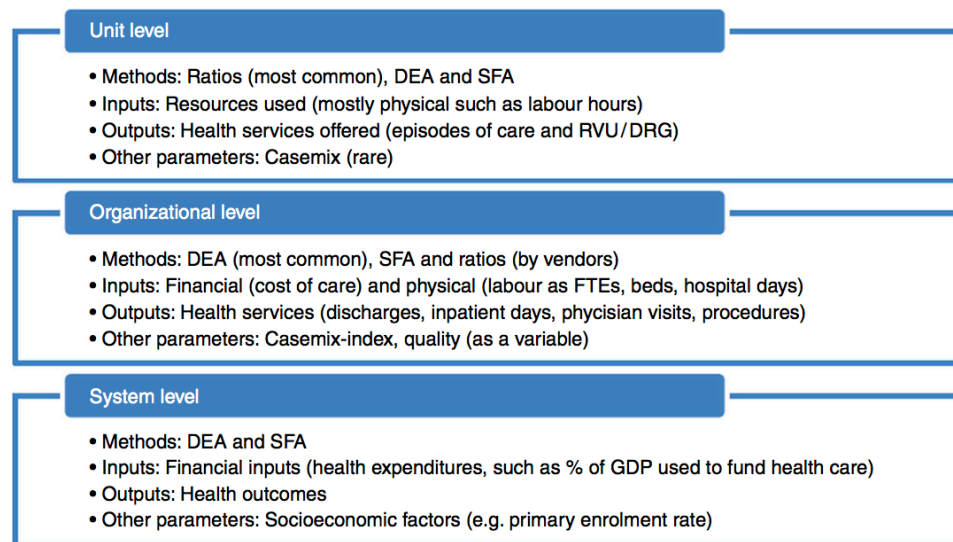
Measuring productivity differs from a cost–benefit analysis, which might be used to assess the ‘value for money’ of a new government programme. While measuring the productivity of public services is certainly of interest, society may prefer the public sector to deliver more services or improvements in the quality of service even at the expense of a decrease in productivity. Equally, an increase in productivity may not be welcome if it came at the expense of a decrease in the output of public services. However, falling productivity unaccompanied by any increase in output might raise concerns [...]. (pp. 250-251)

The inclusion of the term “outcomes¹” brings up a different view on public sector productivity, which has to do with the general question of what value people receive from public services in return for the utilisation of public funds (Linna *et al.*, 2010). This last view has been opposed by Putnam (1993), who argued that outcomes involve changes over which governmental institutions have no control. Nonetheless, a recent investigation points in a different direction. Based on interviews and workshops with municipal authorities in Finland in the areas of special healthcare services, basic healthcare and social services, and educational services, Linna *et al.* (2010, p. 300) found that there is a “certain mismatch between perceptions concerning productivity and the potential that lies in this concept as a functional tool in the public sector’s development efforts. Public sector productivity cannot be developed and discussed without taking into consideration the issue of effectiveness”.

The point we wish to make at this stage is that public sector productivity measurement is a complex issue, which depends not only on who defines it, but also on factors such as the public sector area in question and the level of analysis. For the purposes of exemplification, Figure 1 depicts productivity measurement at unit, organisational, and system level in the healthcare area, as identified by Kämäräinen, Peltokorpi, Torkki, and Tallbacka (2016).

The measurement of productivity of public services is different from that of private sector services, which results in additional concerns. As Simpson (2009, p. 250) stated, “compared to measuring productivity in the private sector difficulties arise because the output of public services is often un-priced and because some public services are consumed collectively. A key problem is measuring the full range of outputs and quality improvements delivered by public sector organisations that are valued by society”. She further draws attention that without comprehensive measures of output productivity statistics may be misleading. Indeed, it is rather hard to quantify what customers perceive as value creation for them, especially because there are usually no limits as to how effective an organisation can be (Tangen, 2005).

¹ According to Mills-Scofield (2012), “Outcomes are the difference made by the outputs”. Furthermore, “Outputs are important products, services, profits, and revenues: the What. Outcomes create meanings, relationships, and differences: the Why. Outputs, such as revenue and profit, enable us to fund outcomes; but without outcomes, there is no need for outputs.”



Source: Taken from Kämäräinen, Peltokorpi, Torkki, and Tallbacka (2016).

Figure 1. Productivity measurement at different levels in the healthcare sector.

Private sector organisations generally pursue profit maximization. It is true that these same organisations can also pursue more CSR-oriented objectives, but these are mainly developed to assist the main objective, which is profit maximization. On the other hand, public sector organisations generally pursue objectives different from profit maximization, and are usually oriented towards providing education, healthcare services, and so on. In this sense, then, stakeholders' expectations are also different. Customers and shareholders, the main stakeholders for private sector organisations, expect the best possible products and services and the highest profitability, respectively. In the case of public sector organisations, the population of a country, which represents the stakeholders, expects the delivery of products and services in an adequate manner. Furthermore, because public sector organisations are generally funded by taxpayers' money, they are also subject to greater scrutiny when compared to private sector organisations.

What existing literature is pointing towards is that generally, there are various ways of understanding, defining, and measuring public sector productivity. But the question is how compatible are all these views and the productivity measures with each other? They all have advantages and shortcomings and they all reflect different interests of different groups of actors involved in the decision-making process. The existing mismatch indicates that it might be more rewarding integrating the views of the various stakeholders in an attempt to provide a holistic perspective to productivity measurement and enhancement.

Stakeholder Involvement for Public Sector Productivity Enhancement

Today's complex process of globalization and opportunities created and enabled by Internet technologies and exponentially increasing data (for some information of interest on the topic of big data and associated challenges, see Charles & Emrouznejad, 2018; Charles & Gherman, 2013, 2018; Charles, Tavana, & Gherman, 2015; and Emrouznejad & Charles, 2018) have enabled changes in the expectations that the civil society has from public sector organisations; in consequence, public sector organisations have gradually been transforming themselves. Marche and McNiven (2003) captured this phenomenon when they stated that:

Public administration has a general reputation for functional insularity, what we now often call “silos” or “stove-piping.” This refers to the tendency to not integrate service provisioning across government departments when responding to citizens’ needs. In part, this has been driven by deeply entrenched practices and cultures, supported by the tradition of ministerial accountability. In part, it was driven by the fact that it was administratively very difficult to integrate systems and practices between departments. However, citizens see large bureaucracies such as utility companies, telecommunication companies, and banks cooperating in ways that permit cross-organisational services such as Internet bill presentment and payment in ways chosen by the customer. They have now begun to make similar demands of government. (p. 75)

The points discussed so far call for more innovative solutions to the issue of public sector productivity enhancement. One such solution could be the creation of “collaboratories”, or powerful action-learning environments or platforms that bring together multiple stakeholders, wherein stakeholders are “any group or individual who can affect or is affected by the achievement of the organisation’s objectives” (Freeman, 1984, p. 46). Figure 2 depicts the actors of these platforms in the context of the public sector.



Figure 2. Actors involved in public sector strategizing and policymaking.

The platform would allow the participation and efficient social and civic dialogue between various stakeholder groups. It is important to note that each of the actors involved would serve a dual role of both facilitator and learner; everyone can learn something from the other and everyone can contribute to the debate and offer viable solutions to contemporary issues in public sector productivity measurement and enhancement. Regardless of whether the platforms are physical or virtual, the key issue is to ensure the necessary dynamics to enable the decentralisation of the learning process.

One of the challenges would be the correct identification of stakeholders, which may be difficult because who has a stake in a particular policy is often unclear. Another challenge would be to identify at what stage of the policy cycle the various stakeholders should be involved (see Figure 3); how and when to incorporate key stakeholder input into policy decision-making.

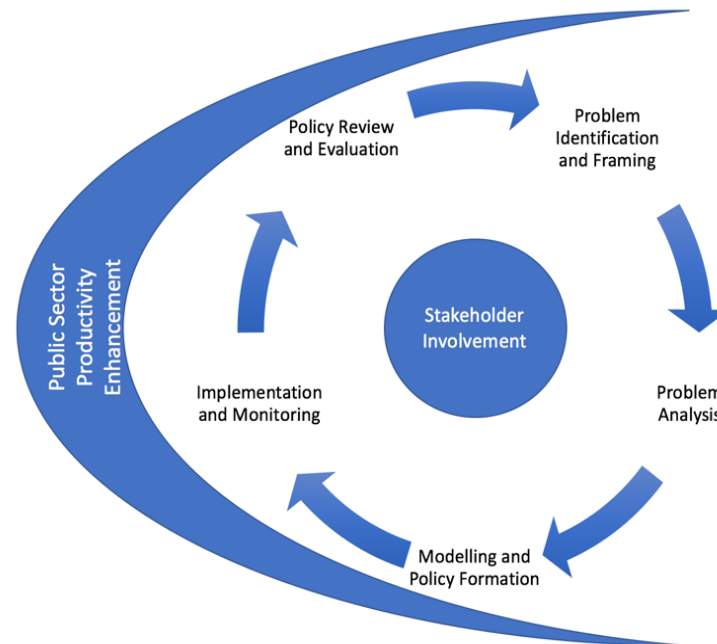


Figure 3. Stakeholder involvement for public sector productivity enhancement.

It is important to note that this is not a one-way-fits-all model. Stakeholder participation takes many different forms and the level of empowerment that each group can have depends on a variety of factors. Our mere proposition is that opportunity and quality of dialogue and cooperation between stakeholders and public authorities may be pivotal in identifying new means of public sector productivity enhancement. The learning process would be a dynamic experience, as stakeholders would not be just passive recipients of information (as has generally been the case), but also active contributors. Furthermore, these platforms would allow different stakeholders to play a greater role in public sector strategizing and policymaking; in other words, stakeholders will become active partners with public sector organisations. More than anything, this framework is a multi-stakeholder learning platform conducive to responsible public sector management.

A Comprehensive Framework: Strategic Implications

The idea of creating “collaboratories” is not new. For example, it is well-known that various governments around the world are nowadays providing web-based services to their citizens under the concept of “e-governance”, which is defined as:

... the public sector's use of information and communication technologies with the aim of improving information and services delivery, encouraging citizen participation in the decision-making process and making government more accountable, transparent and effective. E-governance involves new styles of leadership, new ways of debating and deciding policy and investment, new ways of accessing education, new ways of listening to citizens and new ways of organizing and delivering information and services. E-governance is generally considered as a wider concept than e-government, since it can bring about a change in the way citizens relate to governments and to each other. E-governance can bring forth new concepts of citizenship, both in terms of citizen needs and responsibilities. Its objective is to engage, enable and empower the citizen. (UNESCO, 2011)

Compared to existing solutions, our proposed model calls for (1) including additional stakeholders (beyond the civil society) and (2) in view of the functional view of productivity, which emphasizes links between productivity, efficiency, effectiveness, quality, outcomes, and performance. This would provide a holistic framework (Figure 4) for assessing key stakeholders and their interests, knowledge, positions, expectations, resources, power, and importance. Performing a stakeholder analysis would be extremely useful in both making sure that interests are aligned among the stakeholders and in identifying potential areas of resistance at the moment of strategizing and policymaking and policy implementation.

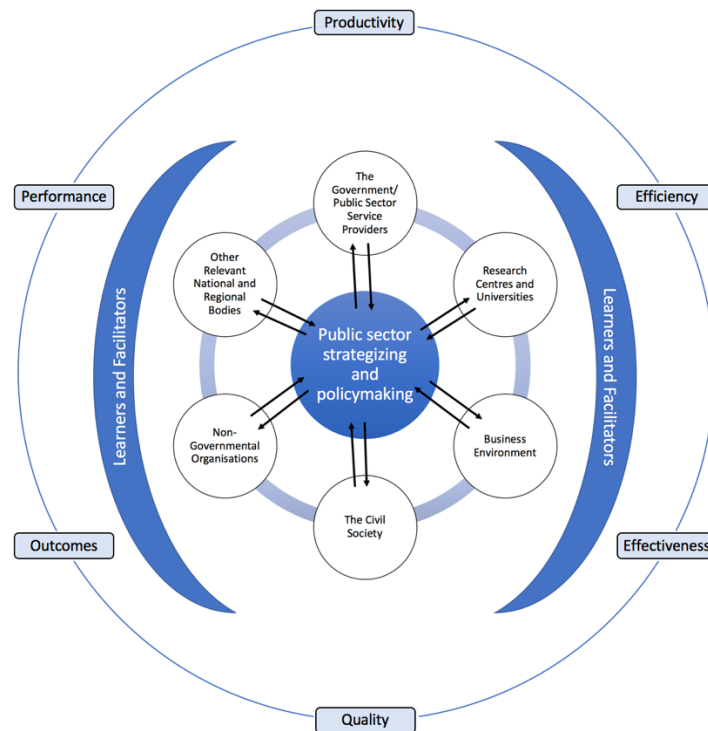


Figure 4. Comprehensive framework.

Although we consider the inclusion of an extended list of stakeholders, we do draw attention to the fact that much work needs to still be done in relation to the level of engagement that these stakeholders should have. Indeed, there is a difference between informing, consulting, involving, collaborating, and empowering stakeholders and these relationships need to be thoroughly thought of. Nonetheless, we consider that a more

inclusive list of stakeholders can help at least expand and renovate the role that public-sector organisations play in a country. While it is true that some stakeholders have more power and resources than others to participate in public policymaking and this should be regulated, in a highly interconnected and complex reality, it is time we rethink the relationships that are being forged, a consideration that might help in bringing specific and contemporary problems on the public agenda table and advance discussions of public service productivity in the future. As Linna *et al.* (2010, p. 316) stated, “networking and collaboration in the advancement of productivity thinking and in creating a common, realisable understanding are needed at an individual organisation and more widely”. Access to policymaking for the purposes of enhancing productivity should, of course, be underpinned by transparency principles. Diversity and evolution are other key concepts. The diversity and evolution of both stakeholders and contexts implies that influencing policymaking needs to be adapted.

Many partial public sector productivity measurement methods exist, but holistic ways of measuring the same are rather missing. In this short paper, we have aimed to provide such a framework by means of bringing together not only multiple stakeholders (beyond the civil society), but also their different expectations, which are reflected in the definitions attached to public sector productivity measurement. We join the calls for the creation of transparent platforms and mechanisms that enable the civil society, the business environment, research centres and universities, and other relevant national and regional bodies to be engaged in dialogue regarding public policy initiatives meant to increase the productivity of the public sector.

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